



S. KIMBERLY BELSHÉ
SECRETARY

CALIFORNIA HOSPITAL FINANCING WAIVER

Frequently Asked Questions

Gov. Arnold Schwarzenegger negotiated an agreement for a new five-year federal waiver that will stabilize and protect California's safety net hospitals with \$3.3 billion in new federal funds – more than any previous hospital financing agreement.

What does it all mean?

Agency Departments & Boards:

Aging

Alcohol and
Drug Programs

Child Support
Services

Community Services
and Development

Developmental
Services

Emergency Medical
Services Authority

Health Services

Health and
Human Services
Data Center

Managed Risk
Medical Insurance

Mental Health

Rehabilitation

Social Services

Statewide Health
Planning and
Development

Q. What is the hospital financing waiver?

- A. The hospital financing waiver stabilizes funding for safety net hospitals to support care provided to Medi-Cal beneficiaries and the uninsured. The waiver also creates a new structure for funding safety net hospitals since the federal government said that past hospital accounting methods have to stop; the status quo is no longer an option.

Q. What is a safety net hospital?

- A. A hospital that serves a large number of Medi-Cal and uninsured patients and receives special funding from Medi-Cal to pay for this care. There are 146 safety net hospitals throughout California.

Q. Why is the waiver necessary?

- A. The state's current waiver expires on June 30, 2005. The federal government has notified every state, including California, that prior accounting methods must stop because they violate Medicaid rules. This waiver is important because it stabilizes funding for safety net hospitals and brings in significant new federal funds at a time when Congress has proposed significant cuts in Medicaid.

Q. What are the key components of the waiver?

- A. The waiver agreement accomplishes three important goals:
- The waiver stabilizes the financing of California's safety net hospitals.
 - Protects \$368 million a year in federal funds currently paid to public hospitals for the uninsured.
 - Maintains \$218 million a year in federal funds for the uninsured that is scheduled under current law to be eliminated in five years.
 - The waiver provides \$3.3 billion in new federal matching funds over five years.
 - \$180 million a year to stabilize California's safety net hospitals.
 - \$226 million a year to care for the uninsured.
 - \$265 million a year to reflect annual growth funds.

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- The waiver will enable California to enroll more Medi-Cal beneficiaries into health plans, ensuring they will receive preventive, coordinated care.
 - Provides a financial incentive of \$360 million over the first two years of the waiver to expand managed care in Medi-Cal.
 - Ensures that safety net hospitals continue to receive funds treating the uninsured regardless of whether Medi-Cal beneficiaries get care at that hospital.

Q. Why is this a good deal for California?

- A. The waiver agreement represents a good deal for the state for a number of reasons, including:
- No other state has been able to secure a waiver agreement with terms as favorable as California's.
 - The waiver brings in more than \$3.3 billion in new federal funds at a time when Congress is looking to cut Medicaid spending by \$10 billion.
 - This waiver nearly quadruples new federal funding levels from the state's current waiver that was negotiated in 2002.
 - The waiver secures federal financial support for reforms in the state's health care system, including broader utilization of managed care and health coverage for more of the uninsured.

Q. What are the next steps for the waiver?

- A. The Governor and Legislature must enact legislation to implement the new terms of the waiver. The Governor is committed to working with stakeholders and the Legislature to:
- Ensure safety net hospitals receive at least the same amount of funds, if not more.
 - Establish protections for private hospital funding.
 - Guarantee that as Medi-Cal managed care expands, safety net hospitals will be safeguarded as much as possible.
 - Expand coverage for the uninsured to improve access to care and health outcomes and minimize costly in-patient care.

Q. If legislation to implement the waiver is not enacted by session's end, what will happen?

- A. The implications would be devastating for the state's safety net hospitals and the millions of Californians who rely upon them for access to services.
- The state will no longer have the authority to make \$2 billion in supplemental payments to safety net providers.
 - In the absence of these federal funds, safety net hospitals and county clinics will be forced to dramatically scale back services or close entirely.

Q. Is health care an overall priority for this administration?

- A. The Governor has consistently proven he is committed to protecting vital health care services for the most vulnerable Californians. Despite an \$8 billion deficit, the Governor's proposed budget increases health care spending by more than \$1 billion.
- Facing significant budget shortfalls, the Governor had to make a number of difficult budget choices. While cuts were proposed for other important state programs, the Governor maintained and expanded funding for critical health services serving vulnerable populations.
 - The Governor's budget maintains enrollment and eligibility for vital health care programs, such as Medi-Cal and Healthy Families, while maximizing efficiencies and containing costs.

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